

**TOWN OF SHIRLEY, MASSACHUSETTS**

**Financial Statements**

**June 30, 2014**

**(With Accountants' Report Thereon)**

Town of Shirley, Massachusetts

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Town of Shirley, Massachusetts

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS –  
TOWN OF SHIRLEY

Board of Selectmen  
Town of Shirley  
7 Keady Way  
Shirley, MA 01464

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Shirley, Massachusetts as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Shirley, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Shirley, Massachusetts as of June 30, 2014 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reported dated June 1, 2015, on our consideration of the Town of Shirley, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shirley, Massachusetts' internal control over financial reporting and compliance.

*Giusti, Hingston and Company*

Giusti, Hingston and Company  
Certified Public Accountants  
Georgetown, Massachusetts  
June 1, 2015

**Town of Shirley, Massachusetts**  
**Management's Discussion and Analysis**  
**Required Supplementary Information**  
**June 30, 2014**

As management of the Town of Shirley, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Shirley, Massachusetts for the fiscal year ended June 30, 2014.

**Financial Highlights**

- The assets of the Town of Shirley, Massachusetts exceeded its liabilities at the close of the most recent fiscal year by \$24,842,906 (*net position*).
- The Town's total net position increased by \$280,062. The net position of the governmental activities increased by \$276,522. The net position of the business-type activities increased by \$3,540.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,953,213, or 15.62% of the general fund expenditures.
- The Town of Shirley, Massachusetts' total long term debt decreased by \$1,352,360 or 11.53% during the current year. The change is attributed to principal payments in the governmental activities (\$476,117, or 12.20%) and in the Business-Type Activities (\$876,243 or 11.19%).

**Overview of the Financial Statements**

The discussion and analyses are intended to serve as an introduction of the Town of Shirley, Massachusetts' basic financial statements. The Town of Shirley, Massachusetts' basic financial statements consists of the following: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Shirley, Massachusetts' finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town of Shirley, Massachusetts' assets/deferred outflows and liabilities/deferred inflows, with the differences between the two reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Shirley, Massachusetts is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** – Activities reported here include education, public safety, public works, library and general administration. Property taxes, motor vehicle excise taxes, federal, state and other local revenues finance these activities.

- **Business-Type Activities** - Activities reported here are for sewer, trash collection and ambulance operations. User fees charged to the customers receiving services finance these activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Shirley, Massachusetts, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Shirley, Massachusetts can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The Town of Shirley, Massachusetts maintains three proprietary (enterprise) fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Shirley, Massachusetts uses enterprise funds to account for its sewer, trash collection and ambulance operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The sewer fund is considered to be a major fund of the Town of Shirley, Massachusetts.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town maintains fiduciary funds to account for activities related to charitable, school and cemetery trust funds

## Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town of Shirley, Massachusetts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

## Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Capital assets

and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the statement of net position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

The reconciliation of government-wide financial statements to enterprise funds of the fund financial statements is not necessary. The business-type activities of the government-wide financial statements and the enterprise funds in the fund financial statements use the same accounting basis and measurement focus.

## Financial Analysis of the Government-Wide Financial Statements

### Net Position

Net position may serve over time as a useful indicator of a government's financial position. However, the net position of governmental activities should be viewed independently from business-type activities. Resources of the governmental activities are not, typically, used to finance costs related to business-type activities. Revenues of the business-type activities are generally used to finance the operations of the Sewer, Trash and Ambulance enterprise funds. The following table reflects the condensed net position for the past two fiscal years.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 5,589,070	\$ 5,947,152	\$ 10,530,613	\$ 11,040,936	\$ 16,119,683	\$ 16,988,088
Capital Assets	25,624,163	25,778,028	12,812,413	13,166,062	38,436,576	38,944,090
Total Assets	<u>31,213,233</u>	<u>31,725,180</u>	<u>23,343,026</u>	<u>24,206,998</u>	<u>54,556,259</u>	<u>55,932,178</u>
Current Liabilities	1,651,639	1,994,763	917,224	883,380	2,568,863	2,878,143
Long Term Liabilities	4,715,402	5,164,033	6,091,973	6,993,329	10,807,375	12,157,362
Total Liabilities	<u>6,367,041</u>	<u>7,158,796</u>	<u>7,009,197</u>	<u>7,876,709</u>	<u>13,376,238</u>	<u>15,035,505</u>
Deferred Inflows of Resources	<u>3,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,286</u>	<u>-</u>
Net Position:						
Net Investment in Capital Assets	21,644,185	21,767,568	5,859,821	5,337,226	27,504,006	27,104,794
Restricted	1,377,848	1,769,661	8,958,213	9,622,000	10,336,061	11,391,661
Unrestricted	1,820,873	1,029,155	1,515,795	1,371,063	3,336,668	2,400,218
Total Net Position	<u>\$ 24,842,906</u>	<u>\$ 24,566,384</u>	<u>\$ 16,333,829</u>	<u>\$ 16,330,289</u>	<u>\$ 41,176,735</u>	<u>\$ 40,896,673</u>

The net position of the Town increased by \$280,062. The net position of the governmental activities increased by \$276,522 or 1.13% and the net position of the business-type activities increased by \$3,540 or .02%.



### Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the Town's net position has changed during the past two fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 768,791	\$ 646,194	\$ 1,056,920	\$ 1,137,736	\$ 1,825,711	\$ 1,783,930
Operating Grants and Contributions	1,623,265	1,540,602	610,060	543,906	2,233,325	2,084,508
General Revenues:						
Property Taxes	9,082,316	8,846,217	-	-	9,082,316	8,846,217
Motor Vehicle and Other Excises	793,311	677,000	-	-	793,311	677,000
Intergovernmental Not Restricted to a Specific Program	1,728,322	1,203,119	-	-	1,728,322	1,203,119
Other	122,809	130,562	-	-	122,809	130,562
<b>Total Revenues</b>	<u>14,118,814</u>	<u>13,043,694</u>	<u>1,666,980</u>	<u>1,681,642</u>	<u>15,785,794</u>	<u>14,725,336</u>
<b>Expenses</b>						
General Government	1,277,634	1,461,357	-	-	1,277,634	1,461,357
Public Safety	1,500,143	1,422,096	-	-	1,500,143	1,422,096
Education	7,543,994	7,146,473	-	-	7,543,994	7,146,473
Highways and Public Works	1,169,442	895,974	-	-	1,169,442	895,974
Human Services	246,168	264,642	-	-	246,168	264,642
Culture and Recreation	536,799	490,975	-	-	536,799	490,975
Fringe Benefits	1,508,319	1,445,089	-	-	1,508,319	1,445,089
Interest on Debt Service	140,189	167,525	-	-	140,189	167,525
Sewer	-	-	1,256,298	1,352,407	1,256,298	1,352,407
Other	-	-	326,746	328,202	326,746	328,202
<b>Total Expenses</b>	<u>13,922,688</u>	<u>13,294,131</u>	<u>1,583,044</u>	<u>1,680,609</u>	<u>15,505,732</u>	<u>14,974,740</u>
Increase (Decrease) in Net Position Before Special Items and Transfers	<u>196,126</u>	<u>(250,437)</u>	<u>83,936</u>	<u>1,033</u>	<u>280,062</u>	<u>(249,404)</u>
Special Items	-	144,516	-	-	-	144,516
Transfers	80,396	85,824	(80,396)	(90,396)	-	(4,572)
Increase (Decrease) in Net Position	<u>\$ 276,522</u>	<u>\$ (20,097)</u>	<u>\$ 3,540</u>	<u>\$ (89,363)</u>	<u>\$ 280,062</u>	<u>\$ (109,460)</u>

### Governmental Activities

In fiscal year 2014, property taxes accounted for approximately 64% of the revenues. In fiscal year 2013 they accounted for 68%.

### Business-type Activities

Sewer rates are structured to cover all costs related to the activity. The betterment charges were established to fund all betterment related costs. Ambulance rates are structured to cover all related costs.

## Financial Analysis of the Town's Funds

### Governmental Funds

The focus of the Town of Shirley, Massachusetts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Shirley, Massachusetts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town of Shirley, Massachusetts itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town of Shirley, Massachusetts' Selectmen.

**General Fund** – The year-end fund balances of the general fund were \$921,016 more than the prior year's fund balances.

The following tables reflect the trend in all components of fund balance and "free cash" for the previous nine fiscal years.

<b>Fiscal Year</b>	<b>Reserved for Encumbrances</b>	<b>Reserved for Debt Service</b>	<b>Reserved for Deficits</b>	<b>Reserved for Subsequent Year's Expenditure</b>	<b>Unreserved</b>	<b>Total Fund Balance</b>
2006	\$ 45,316	\$ 3,971	\$ -	\$ 361,935	\$ 698,796	\$ 1,110,018
2007	17,610	3,772	-	392,967	364,417	778,766
2008	84,094	3,574	(93,147)	39,850	172,377	206,748
2009	170,585	349,717	(20,045)	-	237,666	737,923
2010	150,390	324,518	-	30,000	537,559	1,042,467

In accordance with GASB 54 the stabilization fund is now reported in the general fund as a component of unassigned fund balance. Prior to fiscal year 2011, the stabilization fund was reported in the special revenue fund.

GASB 54 was implemented in fiscal year 2011. As a result the account titles of the components of fund balance changed as follows:

<b>Fiscal Year</b>	<b>Restricted</b>	<b>Committed</b>	<b>Assigned</b>	<b>Unassigned</b>	<b>Total Fund Balance</b>
2011	\$ 277,250	\$ 103,496	\$ 225,473	\$ 1,019,236	\$ 1,625,455
2012	244,696	109,296	248,556	1,385,324	1,987,872
2013	212,141	177,210	455,712	1,071,443	1,916,506
2014	179,586	554,414	150,309	1,953,213	2,837,522

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts' Department of Revenue (DOR) determines the amount of general fund "fund balance" available for appropriation. In general, this amount (commonly known as "free cash") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

<b>Fiscal</b>		
<b>Year</b>		<b>Free Cash</b>
2005	\$	333,214
2006		340,570
2007		(57,291)
2008		(108,123)
2009		(53,941)
2010		226,051
2011		515,865
2012		571,396
2013		403,814
2014		1,103,734

## **Proprietary Funds**

**Sewer and Other Enterprise Funds.** The Town of Shirley, Massachusetts' proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer enterprise fund at the end of the year was \$1,355,258 and the total increase in net position was \$44,521. Unrestricted net position of the other enterprise funds at the end of the year was \$160,537 and the decrease in net position was \$40,981.

## **General Fund Budgetary Highlights**

The differences between the original budget and the final amended budget were due primarily to special Town meetings and reserve fund transfers. As budgetary information and needs became clearer, the Town approved more appropriations.

## **Capital Asset and Debt Administration**

**Capital assets.** The Town of Shirley, Massachusetts' investments in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$38,436,576 (net of accumulated depreciation and debt). This investment in capital assets includes land, buildings, improvements, infrastructure, equipment and vehicles.

Major capital asset events during the current fiscal year included the following:

Building Renovation	\$720,395
Police Cruiser	\$ 36,234

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 5,575,404	\$ 5,579,097	\$ 29,989	\$ 29,989	\$ 5,605,393	\$ 5,609,086
Work in Progress	4,769	91,297	-	-	4,769	91,297
Buildings	16,631,318	16,625,373	-	-	16,631,318	16,625,373
Improvements Other Than Buildings	379,218	238,740	-	-	379,218	238,740
Infrastructure	2,295,918	2,366,831	12,775,862	13,116,392	15,071,780	15,483,223
Equipment	245,021	307,234	1,200	3,600	246,221	310,834
Vehicles	492,515	569,456	5,362	16,081	497,877	585,537
Total	<u>\$ 25,624,163</u>	<u>\$ 25,778,028</u>	<u>\$ 12,812,413</u>	<u>\$ 13,166,062</u>	<u>\$ 38,436,576</u>	<u>\$ 38,944,090</u>

## Debt

The Town had \$10,379,790 in bonds, outstanding on June 30, 2014. This represents a \$1,352,360 or 11.53% decrease from the previous year.

On March 14, 2011 Standard and Poor's affirmed the Town's A rating with a stable outlook.

### Outstanding Debt at June 30, 2014 vs. June 30, 2013

<u>Governmental Activities</u>	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
General Obligation Bonds Payable	\$ 3,427,198	\$ 3,903,315	\$ (476,117)
<u>Business-Type Activities</u>			
Sewer:			
General Obligation Bonds Payable	6,952,592	7,828,835	(876,243)
Total Debt	<u>\$ 10,379,790</u>	<u>\$ 11,732,150</u>	<u>\$ (1,352,360)</u>

## Fiscal Year 2015 Budget

An initiative state statute, commonly known as "Proposition 2 ½", limits the amount of property taxes that Towns can assess in any one year. In general, the Town's property tax levy may increase by 2 ½ percent over the prior year's tax levy, plus any additional amount derived by new developments or other changes made to existing property. If a community wishes to levy taxes above the limitations imposed by "Proposition 2 ½", it is necessary to obtain the approval of a majority of the voters at an election.

Once again, limited resources and increased fixed costs (i.e. health insurance premiums) put pressure to hold other costs down. However, the Town managed to fund the operating budget without any significant reductions in the workforce.

**Request for Information**

This financial report is designed to provide a general overview of the Town of Shirley, Massachusetts' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town of Shirley  
Town Accountant's Office  
7 Keady Way  
Shirley, MA 01464

Town of Shirley, Massachusetts  
Statement of Net Position  
June 30, 2014  
(Continued on Page 12)

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	Government- Wide <u>Total</u>
<b>Assets</b>			
Current:			
Cash/Investments	\$ 3,655,725	\$ 3,578,244	\$ 7,233,969
Petty Cash	200	-	200
Accounts Receivable:			
Property Taxes	144,488	-	144,488
Tax Liens	892,555	2,335	894,890
Excises	117,866	-	117,866
Special Assessments	-	35,194	35,194
Special Assessments Liens	-	129,471	129,471
User Charges	-	270,590	270,590
Utility Liens	-	16,491	16,491
Intergovernmental	673,666	-	673,666
Septic Loans	95,108	-	95,108
Other	9,462	-	9,462
Noncurrent:			
Accounts Receivable:			
Deferred Special Assessments	-	6,498,288	6,498,288
Capital Assets:			
Assets Not Being Depreciated	5,580,173	29,989	5,610,162
Assets Being Depreciated, Net	20,043,990	12,782,424	32,826,414
Total Assets	<u>31,213,233</u>	<u>23,343,026</u>	<u>54,556,259</u>
<b>Liabilities</b>			
Current:			
Warrants Payable	201,209	-	201,209
Accrued Salaries Payable	75,012	-	75,012
Other Liabilities	33,209	-	33,209
Accrued Interest Payable	52,841	5,836	58,677
Compensated Absences	56,685	1,109	57,794
Landfill Liabilities	8,380	-	8,380
Bond Anticipation Notes Payable	758,199	-	758,199
Bonds Payable	466,104	910,279	1,376,383
Noncurrent:			
Compensated Absences	24,293	475	24,768
Bonds Payable	2,961,094	6,042,313	9,003,407
Landfill Liabilities	128,730	-	128,730
Other Post Employment Benefit Obligations	1,601,285	49,185	1,650,470
Total Liabilities	<u>6,367,041</u>	<u>7,009,197</u>	<u>13,376,238</u>
<b>Deferred Inflows of Resources</b>			
Taxes Paid in Advance	3,286	-	3,286
Total Deferred Inflows of Resources	<u>3,286</u>	<u>-</u>	<u>3,286</u>

Town of Shirley, Massachusetts  
Statement of Net Position  
June 30, 2014  
(Continued from Page 11)

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Government- Wide Total</u>
<b>Net Position</b>			
Net Investment in Capital Assets	21,644,185	5,859,821	27,504,006
Restricted for:			
Capital Projects	44,740	-	44,740
Debt Service	-	8,958,213	8,958,213
Special Revenue	1,051,378	-	1,051,378
Perpetual Funds:			
Expendable	123,630	-	123,630
Nonexpendable	158,100	-	158,100
Unrestricted	1,820,873	1,515,795	3,336,668
Total Net Position	<u>\$ 24,842,906</u>	<u>\$ 16,333,829</u>	<u>\$ 41,176,735</u>

Town of Shirley, Massachusetts  
Statement of Activities  
Fiscal Year Ended June 30, 2014

		Net (Expenses) Revenues and Changes					
		Program Revenues			in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<i>Governmental Activities:</i>							
General Government	\$ 1,277,634	\$ 274,583	\$ 187,875	\$ -	\$ (815,176)	\$ -	\$ (815,176)
Public Safety	1,500,143	203,585	74,050	-	(1,222,508)	-	(1,222,508)
Education	7,543,994	-	1,036,776	-	(6,507,218)	-	(6,507,218)
Highways and Public Works	1,169,442	19,328	258,326	-	(891,788)	-	(891,788)
Human Services	246,168	49,452	53,053	-	(143,663)	-	(143,663)
Culture and Recreation	536,799	221,843	13,185	-	(301,771)	-	(301,771)
Fringe Benefits	1,508,319	-	-	-	(1,508,319)	-	(1,508,319)
Interest on Debt Service	140,189	-	-	-	(140,189)	-	(140,189)
Total Governmental Activities	13,922,688	768,791	1,623,265	-	(11,530,632)	-	(11,530,632)
<i>Business-Type Activities:</i>							
Sewer	1,256,298	729,080	612,168	-	-	84,950	84,950
Other	326,746	327,840	(2,108)	-	-	(1,014)	(1,014)
Total Business-Type Activities	1,583,044	1,056,920	610,060	-	-	83,936	83,936
Total Primary Government	\$ 15,505,732	\$ 1,825,711	\$ 2,233,325	\$ -	(11,530,632)	83,936	(11,446,696)
<i>General Revenues:</i>							
Property Taxes					9,082,316	-	9,082,316
Motor Vehicle and Other Excise Taxes					793,311	-	793,311
Penalties and Interest on Taxes					57,917	-	57,917
Other Taxes, Assessments and in Lieu Payments					17,522	-	17,522
Intergovernmental					1,728,322	-	1,728,322
Interest and Investment Income					9,628	-	9,628
Other Revenue					37,742	-	37,742
Transfers, Net					80,396	(80,396)	-
Total General Revenues, Special Items and Transfers					11,807,154	(80,396)	11,726,758
Change in Net Position					276,522	3,540	280,062
Net Position:							
Beginning of the Year					24,566,384	16,330,289	40,896,673
End of the Year					\$ 24,842,906	\$ 16,333,829	\$ 41,176,735



Town of Shirley, Massachusetts  
Governmental Funds  
Balance Sheet  
June 30, 2014

	<u>General</u>	Nonmajor <u>Funds</u>	Total Governmental <u>Funds</u>
Assets:			
Cash/Investments	\$ 2,994,304	\$ 661,421	\$ 3,655,725
Petty Cash	-	200	200
Accounts Receivable:			
Property Taxes	144,488	-	144,488
Tax Liens	892,555	-	892,555
Excises	117,866	-	117,866
Septic Loans	-	95,108	95,108
Other	9,462	-	9,462
Intergovernmental	-	673,666	673,666
Total Assets	<u>\$ 4,158,675</u>	<u>\$ 1,430,395</u>	<u>\$ 5,589,070</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Warrants Payable	\$ 201,209	\$ -	\$ 201,209
Accrued Salaries Payable	75,012	-	75,012
Bonds Anticipation Notes Payable	-	758,199	758,199
Unclaimed Checks	33,209	-	33,209
Total Liabilities	<u>309,430</u>	<u>758,199</u>	<u>1,067,629</u>
Deferred Inflows of Resources:			
Unavailable Revenue:	1,008,437	545,262	1,553,699
Taxes Paid In Advance	3,286	-	3,286
Total Deferred Inflows of Resources	<u>1,011,723</u>	<u>545,262</u>	<u>1,556,985</u>
Fund Equity:			
Fund Balances:			
Nonspendable	-	158,100	158,100
Restricted	179,586	613,063	792,649
Committed	554,414	31,914	586,328
Assigned	150,309	18,650	168,959
Unassigned	1,953,213	(694,793)	1,258,420
Total Fund Balances	<u>2,837,522</u>	<u>126,934</u>	<u>2,964,456</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,158,675</u>	<u>\$ 1,430,395</u>	<u>\$ 5,589,070</u>

Town of Shirley, Massachusetts  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiscal Year Ended June 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Property Taxes	\$ 8,982,444	\$ -	\$ 8,982,444
Tax Liens	67,513	-	67,513
Excises	838,792	-	838,792
Penalties and Interest	57,917	-	57,917
Licenses and Permits	212,784	-	212,784
Fees and Other Departmental	80,381	3,654	84,035
Intergovernmental	2,835,797	646,890	3,482,687
Charges for Services	-	468,057	468,057
Fines and Forfeits	6,848	-	6,848
Earnings on Investments	9,388	6,735	16,123
In Lieu of Taxes	17,522	-	17,522
Contributions	-	51,243	51,243
Miscellaneous	45,934	22,139	68,073
Total Revenues	<u>13,155,320</u>	<u>1,198,718</u>	<u>14,354,038</u>
<u>Expenditures:</u>			
Current			
General Government	944,492	893,581	1,838,073
Public Safety	1,438,534	30,153	1,468,687
Education	7,080,203	-	7,080,203
Highways and Public Works	539,440	451,393	990,833
Human Services	199,134	41,431	240,565
Culture and Recreation	221,426	259,978	481,404
Debt Service	620,253	5,276	625,529
Intergovernmental	57,488	-	57,488
Employee Benefits	1,400,915	-	1,400,915
Total Expenditures	<u>12,501,885</u>	<u>1,681,812</u>	<u>14,183,697</u>
Excess of Revenues Over (Under) Expenditures	<u>653,435</u>	<u>(483,094)</u>	<u>170,341</u>
Other Financing Sources (Uses):			
Operating Transfers In	350,658	83,077	433,735
Operating Transfers (Out)	(83,077)	(270,262)	(353,339)
Total Other Financing Sources (Uses)	<u>267,581</u>	<u>(187,185)</u>	<u>80,396</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>921,016</u>	<u>(670,279)</u>	<u>250,737</u>
Fund Balance, July 1, 2013	<u>1,916,506</u>	<u>797,213</u>	<u>2,713,719</u>
Fund Balance, June 30, 2014	<u>\$ 2,837,522</u>	<u>\$ 126,934</u>	<u>\$ 2,964,456</u>

Town of Shirley, Massachusetts  
Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Position  
Fiscal Year Ended June 30, 2014

Total governmental fund balances	\$ 2,964,456
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,624,163
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,553,699
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds Payable	(3,427,198)
Accrued Interest on Bonds	(52,841)
Landfill Postclosure Payable	(137,110)
Other Post Employment Benefit Obligations	(1,601,285)
Compensated Absences	<u>(80,978)</u>
Net position of governmental activities	<u><u>\$ 24,842,906</u></u>

Town of Shirley, Massachusetts  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Fiscal Year Ended June 30, 2014

<b>Net change in fund balances - total governmental funds</b>	\$ 250,737
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital outlays in the current period.	(150,172)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in Unavailable Revenue from the prior year to the current year.	(235,224)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	476,116
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the net change in the long term interest accrual from the prior year to the current year.	9,223
Some expenses reported in the Statement of Activities, such as compensated absences and other post employment benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the net change in these liabilities from the prior year to the current year.	(82,413)
The payments for landfill closure and postclosure costs are treated as expenditures in the governmental fund. However, in the Statement of Activities the amount had been accrued in a prior year. This amount represents the net change in this liability from the prior year to the current year.	8,255
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 276,522</u></u>

Town of Shirley, Massachusetts  
Proprietary Funds  
Statement of Net Position  
June 30, 2014

	Business-Type Activities - <u>Enterprise Fund</u>		
	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash	\$ 3,433,151	\$ 145,093	\$ 3,578,244
Accounts Receivable, Net of Allowance for Uncollectibles			
User Charges	226,742	43,848	270,590
Sewer Liens	16,491	-	16,491
Tax Liens	2,335	-	2,335
Special Assessments	35,194	-	35,194
Special Assessment Liens	129,471	-	129,471
Noncurrent:			
Accounts Receivable:			
Deferred Special Assessments	6,498,288	-	6,498,288
Assets Not Being Depreciated	29,989	-	29,989
Assets Being Depreciated, Net	<u>12,775,862</u>	<u>6,562</u>	<u>12,782,424</u>
Total Assets	<u>23,147,523</u>	<u>195,503</u>	<u>23,343,026</u>
<b>Liabilities</b>			
Current:			
Accrued Interest Payable	5,836	-	5,836
Compensated Absences	141	968	1,109
Bonds Payable	910,279	-	910,279
Noncurrent:			
Compensated Absences	60	415	475
Bonds Payable	6,042,313	-	6,042,313
Other Post Employment Benefit Obligations	<u>22,164</u>	<u>27,021</u>	<u>49,185</u>
Total Liabilities	<u>6,980,793</u>	<u>28,404</u>	<u>7,009,197</u>
<b>Net Position</b>			
Net Investment in Capital Assets	5,853,259	6,562	5,859,821
Restricted for Debt Service	8,958,213	-	8,958,213
Unrestricted	<u>1,355,258</u>	<u>160,537</u>	<u>1,515,795</u>
Total Net Position	<u>\$ 16,166,730</u>	<u>\$ 167,099</u>	<u>\$ 16,333,829</u>

Town of Shirley, Massachusetts  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Fiscal Year Ended June 30, 2014

	Business - Type Activities - <u>Enterprise Fund</u>		
	<u>Sewer Enterprise</u>	<u>Other Enterprise</u>	<u>Total Enterprise</u>
Operating Revenues:			
Charges for Services	\$ 557,271	\$ 327,840	\$ 885,111
Total Operating Revenues	557,271	327,840	885,111
Operating Expenditures:			
Personal Services	22,708	56,666	79,374
Nonpersonal Services	507,951	256,961	764,912
Depreciation	340,530	13,119	353,649
Total Operating Expenditures	871,189	326,746	1,197,935
Operating Income	(313,918)	1,094	(312,824)
Nonoperating Revenues (Expenses):			
Earnings on Investments	137,548	(2,108)	135,440
Committed Interest on Special Assessments	171,809	-	171,809
Intergovernmental	474,620	-	474,620
Interest on Debt	(385,109)	-	(385,109)
Total Nonoperating Revenues (Expenses)	398,868	(2,108)	396,760
Income Before Capital Contributions and Transfers	84,950	(1,014)	83,936
Capital Contributions and Transfers:			
Operating Transfers Out	(40,429)	(39,967)	(80,396)
Total Capital Contributions and Transfers	(40,429)	(39,967)	(80,396)
Change in Net Position	44,521	(40,981)	3,540
Net Position July 1, 2013	16,122,209	208,080	16,330,289
Net Position June 30, 2014	\$ 16,166,730	\$ 167,099	\$ 16,333,829

Town of Shirley, Massachusetts  
Statement of Cash Flows  
Proprietary Fund  
Fiscal Year Ended June 30, 2014

	<u>Sewer</u>	<u>Other</u>
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 538,828	\$ 323,296
Payments to Employees	(26,195)	(55,283)
Payments to Vendors	(501,322)	(251,454)
Net Cash Flows Provided (Used) by Operating Activities	<u>11,311</u>	<u>16,559</u>
Cash Flows from Non Capital Related Financing Activities		
Transfers to Other Funds	<u>(40,429)</u>	<u>(39,967)</u>
Net Cash Flows Provided (Used) by Non Capital Related Financing Activities	<u>(40,429)</u>	<u>(39,967)</u>
Cash Flows from Capital and Related Financing Activities:		
Special Assessments	1,118,762	-
Principal Payments on Notes and Bonds	(650,398)	-
Interest Expense	<u>(137,081)</u>	<u>-</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>331,283</u>	<u>-</u>
Cash Flows from Investing Activities:		
Earnings on Investments	<u>137,548</u>	<u>(2,108)</u>
Net Cash Flows Provided (Used) by Investing Activities	<u>137,548</u>	<u>(2,108)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	439,713	(25,516)
Cash and Cash Equivalents, July 1, 2013	<u>2,993,438</u>	<u>170,609</u>
Cash and Cash Equivalents, June 30, 2014	<u>\$ 3,433,151</u>	<u>\$ 145,093</u>
Reconciliation of Net Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (313,918)	\$ 1,094
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	340,530	13,119
(Increase) Decrease in Accounts Receivable	(18,443)	(4,544)
Increase (Decrease) in Warrants and Accounts Payable	3,142	6,890
Net Cash Provided by Operating Activities	<u>\$ 11,311</u>	<u>\$ 16,559</u>

Town of Shirley, Massachusetts  
Fiduciary Funds  
Statement of Net Position  
June 30, 2014

	Private Purpose <u>Trust</u>	<u>Agency</u>
<b>Assets</b>		
Cash	\$ 325,469	\$ 975,050
	<hr/>	<hr/>
Total Assets	325,469	975,050
	<hr/>	<hr/>
<b>Liabilities</b>		
Current:		
Employees' Withholding Payable	-	35,898
Performance Bonds Payable	-	915,523
Detail Payable	-	1,207
Other Liabilities	-	22,422
	<hr/>	<hr/>
Total Liabilities	-	975,050
	<hr/>	<hr/>
<b>Net Position</b>		
Reserved for Scholarships		
Expendable	58,293	-
Nonexpendable	267,176	-
	<hr/>	<hr/>
Total Net Position	\$ 325,469	\$ -
	<hr/> <hr/>	<hr/> <hr/>



Town of Shirley, Massachusetts  
Fiduciary Funds  
Statement of Changes in Net Position  
Fiscal Year Ended June 30, 2014

	Private Purpose <u>Trust</u>
Additions:	
Interest, Dividends, and Other	\$ 9,081
	<u>9,081</u>
Total Additions	<u>9,081</u>
Deductions	
Scholarships Awarded	<u>4,500</u>
	<u>4,581</u>
Change in Net Position	<u>4,581</u>
	<u>4,581</u>
Net Position:	
Beginning of the Year	<u>320,888</u>
Ending of the Year	<u><u>\$ 325,469</u></u>

Town of Shirley, Massachusetts  
Notes to the Financial Statements  
June 30, 2014

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Shirley, Massachusetts, as reflected in the accompanying financial statements for the year ended June 30, 2014, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the Town are summarized below.

**(A) Reporting Entity**

The Town's basic financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

As of July 1, 2011, the school system of the Town of Shirley became part of the Ayer-Shirley Regional School District, a separate and distinct entity. As a result, the financial activity of the School District is not reported in the accompanying financial statements (except for the regional school assessment reported in the general fund). Prior to the regionalization, state education aid revenues were received and reported in the Town's general fund. Additionally, revenues and expenditures related to education grants, revolving and other special revenue funds were previously accounted for and reported in the Town's non major funds. As of July 1, 2011 those revenues and expenditures are received and spent by the Ayer-Shirley Regional School District. Currently, the Town of Shirley receives an annual member assessment and pays it from the general fund as it becomes due throughout the year.

Based on the aforementioned oversight criteria, the Town was the only entity included in the accompanying basic financial statements.

**(B) Government-wide and fund financial statements**

**Government-Wide Financial Statements**

The **government-wide financial statements** (i.e., the **statement of net position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

## (C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

### Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of real estate and personal property taxes, motor vehicle excise taxes, amounts due under grants, charges for services and investment income.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The Town reports the following major governmental fund:

**General Fund** – This is the Town’s general operating fund. It accounts for all financial resources of the general government except those required to be accounting for in another fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the

governmental funds financial statements. The following types of funds are included in the nonmajor category:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

The *permanent fund* is primarily used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary fund:

**Sewer Fund** – This fund is used to account for the activities related to the sewer system.

In addition, the Town utilizes proprietary funds to account for its ambulance service and the trash collection operations.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The private-purpose trust fund is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent. The Town maintains a private purpose trust fund for several charitable, school and cemetery trusts funds.

The agency fund is used to account for assets held in a purely custodial capacity.

(D) Assets/Deferred Outflows, Liabilities/Deferred Inflows and Net Position or Equity

i Deposits and Investments

The Town's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements

guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (“MMDT”).

Certain governmental funds (primarily trust funds) have broader investment powers which allow for investments in common stocks, corporate bonds and other types of investments.

ii Property Taxes

The Town's fiscal year runs from July 1 to June 30. Taxes are levied to the owner of record on the preceding January 1. The Town bills property taxes on a quarterly basis. Quarterly payments are due on August 1, November 1, February 1 and May 1. Property taxes attach as enforceable liens on property as of July 1 of the next fiscal year.

The Town is permitted under state law to levy property taxes up to 2.5% of the full and fair cash value of the Town's property. In addition, the law limits the amount by which the property tax levy can be increased to 2.5% of the preceding year's levy plus any new growth. Debt exclusions, capital exclusions and overrides of Proposition 2 ½ may be approved by a vote of the Town.

iii Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	40-50
Vehicles	5-10
Other Equipment	10
Office Equipment	5

iv. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town's fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that do not meet the "available" criteria and for property taxes paid in advance. The government wide financial statements (statement of net position) includes deferred inflows of resources for property taxes paid in advance.

v. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

Fund Financial Statements (Fund Balances)

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires that the Town report fund balance amounts within one of the fund balance categories list below.

1. **Nonspendable**, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund),

2. **Restricted**, constraints are placed on the use of resources that can be spent only for specific purposes. The constraints are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitutional provisions or through enabling legislation,

3. **Committed**, includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Selectmen and or Town meeting (the Town's highest level of decision-making authority). Committed fund balance cannot be used for any other purpose unless the same formal action that was taken to commit the fund balance is taken to uncommit it or commit it for another purpose,

4. **Assigned**, intended (by the Board of Selectmen, Town Administrator or Town Accountant) to be used by the government for specific purposes, but does not meet the criteria to be classified as restricted or committed, and

5. **Unassigned**, the residual classification for the government's general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The Town has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it is considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

### Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the Town's balance sheet.

	<u>General Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Education	\$ -	\$ 10,000	\$ 10,000
Highways and Public Works	-	147,371	147,371
Culture and Recreation	-	729	729
<b>Total Nonspendable:</b>	<u>-</u>	<u>158,100</u>	<u>158,100</u>
<b>Restricted for:</b>			
General Government	-	192,778	192,778
Public Safety	-	2,582	2,582
Education	-	76,795	76,795
Highways and Public Works	-	65,399	65,399
Human Services	-	120,821	120,821
Culture and Recreation	-	154,688	154,688
Debt Service	179,586	-	179,586
<b>Total Restricted:</b>	<u>179,586</u>	<u>613,063</u>	<u>792,649</u>
General Government	150,394	25,872	176,266
Public Safety	1,533	542	2,075
Education	138,496	-	138,496
Highways and Public Works	117,800	5,500	123,300
Capital	58,677	-	58,677
Capital Stabilization	87,514	-	87,514
<b>Total Committed:</b>	<u>554,414</u>	<u>31,914</u>	<u>586,328</u>
<b>Assigned to:</b>			
General Government	5,078	16,845	21,923
Public Safety	194	1,363	1,557
Highways and Public Works	1,570	-	1,570
Human Services	82	-	82
Culture and Recreation	-	442	442
Employee Benefits	5,000	-	5,000
Free Cash to Fund Budget	138,385	-	138,385
<b>Total Assigned:</b>	<u>150,309</u>	<u>18,650</u>	<u>168,959</u>
<b>Unassigned</b>	<u>1,953,213</u>	<u>(694,793)</u>	<u>1,258,420</u>
<b>Total Fund Balances:</b>	<u>\$ 2,837,522</u>	<u>\$ 126,934</u>	<u>\$ 2,964,456</u>

### Stabilization Fund

The Town has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "cities, towns and districts may appropriate in any year an amount not exceeding, in the aggregate, 10 per cent of the amount raised in the preceding fiscal year by taxation of real estate and tangible personal property or such larger amount as may be approved by the director of accounts. The aggregate amount in such funds at any time shall not exceed 10 per cent of the equalized valuation of the city or town as defined in section 1 of chapter 44. Any interest shall be added to and become part of the fund".

"The treasurer shall be the custodian of all such funds and may deposit the proceeds in national banks or invest the proceeds by deposit in savings banks, co-operative banks or trust companies

organized under the laws of the commonwealth, or invest the same in such securities as are legal for the investment of funds of savings banks under the laws of the commonwealth or in federal savings and loans associations situated in the commonwealth”.

“At the time of creating any such fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation an approved school project under chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. Such specification and any such alteration of purpose, and any appropriation of funds into or out of any such fund, shall be approved by two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C, in a town or district any such vote shall be taken at an annual or special town meeting and in a city any such vote shall be taken by city council”.

The Town’s stabilization fund has a current balance of \$357,346. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the Town’s balance sheet. Also, the Town’s capital stabilization fund has a current balance of \$58,677. The capital stabilization fund is reported as a component of committed fund balance in the general fund on the Town’s balance sheet.

vi Compensated Absences

The liabilities for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated annual vacation and sick leave benefits.

vii Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

viii Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ix Warrants Payable

The balance in this account consists of those warrants approved by the Selectmen for payment between July 1, 2014 and July 15, 2014. These warrants have been recorded as expenditures during the fiscal year ended June 30, 2014 and the corresponding credit is to the account entitled warrants payable.

x Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.



## Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

### II Stewardship, Compliance and Accountability

#### (A) Budgetary Information

##### i General Budget Policies

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January, February and March of each year. The Selectmen and Finance Committee have until June, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations.

##### ii Budget Basis of Accounting

The final budget appearing in the required supplementary information section of the financial statements is taken from the Town's annual recap sheet and includes those amounts which pertain to fiscal 2014 adjusted for any special Town meeting votes applicable to fiscal 2014 and reserve fund transfers authorized by the Finance Committee.

The following reconciliation summarizes the differences between the budget basis and the Generally Accepted Accounting Principles basis (fund financial statement) for the year ended June 30, 2014.

	<u>Revenues</u>
As Reported Budget Basis	\$ 12,057,375
Adjustments:	
Sixty Day Property Tax Accrual - Net	60,357
Earnings on Investments from Stabilization Fund	2,954
On Behalf Payments Included in Intergovernmental	1,034,634
As Reported Fund Financial Statement	<u>\$ 13,155,320</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 11,613,759
Adjustments:	
July 1, 2013 Encumbrances	135,143
June 30, 2014 Encumbrances	(281,651)
On Behalf Payments Included in Education	1,034,634
As Reported Fund Financial Statement	<u>\$ 12,501,885</u>

### III Detailed Notes on All Funds

#### A. Deposits

##### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, none of the Town's bank balance of \$5,428,652 was exposed to credit risk.

##### Investments

As of June 30, 2014, the Town had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
<b>Debt Related Securities:</b>				
U. S. Government Obligations	\$ 1,258,232	\$ 52,631	\$ 1,205,601	\$ -
Corporate Bonds	<u>248,488</u>	<u>248,488</u>	<u>-</u>	<u>-</u>
Total	<u>1,506,720</u>	<u>\$ 301,119</u>	<u>\$ 1,205,601</u>	<u>\$ -</u>
<b>Other Investments:</b>				
Money Market Funds	428,461			
Mutual Funds	275,073			
Equities	972,593			
Mass. Municipal Depository Trust	<u>39,160</u>			
Total Other Investments	<u>1,715,287</u>			
Total Investments	\$ 3,222,007			

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth of Massachusetts has an investment "legal list" that the Town follows. However, the Town does not have its own formal policy relating to credit risk.

##### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a formal policy that limits the amount it may invest in a single issuer.

## B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Government Activities:				
Land	\$ 5,579,097	\$ -	\$ (3,693)	\$ 5,575,404
Construction in Progress	91,297	4,769	(91,297)	4,769
Total Capital Assets Not Being Depreciated	<u>5,670,394</u>	<u>4,769</u>	<u>(94,990)</u>	<u>5,580,173</u>
Assets Being Depreciated:				
Buildings	24,423,166	633,073	-	25,056,239
Improvements Other Than Buildings	600,050	175,943	-	775,993
Infrastructure	6,703,980	16,961	-	6,720,941
Equipment	1,616,287	-	-	1,616,287
Vehicles	2,414,003	36,234	-	2,450,237
Other	138,350	-	-	138,350
Total Capital Assets Being Depreciated	<u>35,895,836</u>	<u>862,211</u>	<u>-</u>	<u>36,758,047</u>
Less Accumulated Depreciation for:				
Buildings	(7,797,793)	(627,128)	-	(8,424,921)
Improvements Other Than Buildings	(361,310)	(35,465)	-	(396,775)
Infrastructure	(4,337,149)	(87,874)	-	(4,425,023)
Equipment	(1,309,053)	(62,213)	-	(1,371,266)
Vehicles	(1,844,547)	(113,175)	-	(1,957,722)
Other	(138,350)	-	-	(138,350)
Total Accumulated Depreciation	<u>(15,788,202)</u>	<u>(925,855)</u>	<u>-</u>	<u>(16,714,057)</u>
Capital Assets Being Depreciated, Net	<u>20,107,634</u>	<u>(63,644)</u>	<u>-</u>	<u>20,043,990</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,778,028</u>	<u>\$ (58,875)</u>	<u>\$ (94,990)</u>	<u>\$ 25,624,163</u>

Depreciation expense was charged to functions as follows:

Government Activities:	
General Government	\$ 107,267
Public Safety	105,613
Education	463,791
Highways and Public Works	187,151
Human Services	5,527
Culture and Recreation	56,506
Total Governmental Activities Depreciation Expense	<u>\$ 925,855</u>

**B. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Land	\$ 29,989	\$ -	\$ -	\$ 29,989
Total Capital Assets not Being Depreciated	<u>29,989</u>	<u>-</u>	<u>-</u>	<u>29,989</u>
Assets Being Depreciated:				
Infrastructure	17,016,060	-	-	17,016,060
Equipment	62,000	-	-	62,000
Other	187,631	-	-	187,631
Total Capital Assets Being Depreciated	<u>17,265,691</u>	<u>-</u>	<u>-</u>	<u>17,265,691</u>
Less Accumulated Depreciation for:				
Infrastructure	(3,899,668)	(340,530)	-	(4,240,198)
Equipment	(58,400)	(2,400)	-	(60,800)
Vehicles	(171,550)	(10,719)	-	(182,269)
Total Accumulated Depreciation	<u>(4,129,618)</u>	<u>(353,649)</u>	<u>-</u>	<u>(4,483,267)</u>
Capital Assets Being Depreciated, Net	<u>13,136,073</u>	<u>(353,649)</u>	<u>-</u>	<u>12,782,424</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,166,062</u>	<u>\$ (353,649)</u>	<u>\$ -</u>	<u>\$ 12,812,413</u>

Depreciation expense was charged to functions as follows:

Business-type Activities:	
Sewer	\$ 340,530
Other	13,119
Total Business-type Activities Depreciation Expense	<u>\$ 353,649</u>

**C. Accounts Receivable**

The accounts receivable on the combined balance sheet are listed below by levy.

**Governmental Activities**

Property Taxes Receivable:

Real Estate Taxes	
2014	\$ 88,094
2013	15,450
2012	5,024
2011	2,688
2010	1,246
2009	1,077
2008	1,145
2007	1,040
2006 & Prior	2,709

C. Accounts Receivable (Continued)

Deferred Real Estate	4,389	
Supplemental Real Estate	11,818	
Rollback Taxes	<u>1,392</u>	
Total Real Estate Taxes		<u>\$ 136,072</u>
Personal Property Taxes		
2014	6,060	
2013	795	
2012	805	
2011	411	
2007 & Prior	<u>345</u>	
Total Personal Property Taxes		<u>8,416</u>
Total Property Taxes Receivable		<u>\$ 144,488</u>
Tax Liens Receivable		<u>\$ 892,555</u>
Excise Taxes Receivable:		
Motor Vehicle Excise Taxes		
2014	\$87,482	
2013	13,599	
2012	4,734	
2011	4,032	
2010	3,109	
2009	4,253	
2008 & Prior	<u>657</u>	
Total Excise Taxes Receivable		<u>\$ 117,866</u>
Intergovernmental:		
Commonwealth of Massachusetts - for		
Highway Projects	\$ 651,607	
Various State Grants	<u>22,059</u>	
Total Intergovernmental		<u>\$ 673,666</u>
Septic Loan Receivable:		
Septic Repair Loan		<u>\$ 95,108</u>
Other Receivable:		
Health Insurance Premium		<u>\$ 9,462</u>

C. Accounts Receivable (Continued)

**Business Type Activities**

Sewer Tax Liens	\$ 2,335
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Special Assessments:

Current:

Betterments Added to Taxes 2014	\$11,877	
Betterments Added to Taxes 2013	3,147	
Betterments Added to Taxes 2012 & Prior	273	
Committed Interest Added to Taxes 2014	7,439	
Committed Interest Added to Taxes 2013	647	
Committed Interest Added to Taxes 2012	275	
Committed Interest Added to Taxes 2011 & Prior	2,161	
Sewer Privilege Fee	9,375	
Total Current Special Assessments	\$ 35,194	

Special Assessments Liens

Sewer Betterment Liens	\$ 129,471
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User Charges:

Sewer	\$226,742	
Ambulance	43,848	
Total User Charges	\$ 270,590	

Sewer Liens:

Utility Liens Added to Taxes	\$ 16,491
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Noncurrent:

Special Assessments:

Chapter Land	\$93,750	
Senior Deferral of Sewer Assessments	56,250	
Deferred Sewer Betterments Not Yet Due	6,348,288	
Total Non Current Special Assessments	\$ 6,498,288	

## D. Debt

### i Short Term Debt

The Town had the following bond anticipation notes payable outstanding as of June 30, 2014 as follows:

<u>Purpose</u>	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>End</u> <u>of Year</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>
<u>Governmental Activities:</u>						
<u>Bond Anticipation Notes</u>						
Hazen Memorial Carpet Replacement	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	0.55%	6/19/2015
Shaker Road Bridge Repair	87,421	86,476	87,421	86,476	0.55%	6/19/2015
CTH Exterior Improvement	22,985	21,632	22,985	21,632	0.55%	6/19/2015
School Building Control System Upgrade	44,666	19,666	44,666	19,666	0.55%	6/19/2015
DPW Sidewalk Plow. Sander, Snow blower	41,666	-	41,666	-		
Technical Upgrades	38,665	24,552	38,665	24,552	0.55%	6/19/2015
Energy Performance Contract	-	570,873	-	570,873	0.59%	2/10/2015
Total Notes Payable Governmental Activities	<u>\$ 270,403</u>	<u>\$ 758,199</u>	<u>\$ 270,403</u>	<u>\$ 758,199</u>		

### ii Long Term Debt

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other authorized purposes. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 30 years. General obligation bonds outstanding at June 30, 2014 are as follows:

#### (a) General Obligation Bonds Outstanding at June 30, 2014

<u>Governmental Activities:</u>	<u>Fiscal Year</u>	<u>Original</u>	<u>Interest Rates</u>	<u>Fiscal Year</u>	<u>Balance</u>			<u>Balance</u>
<u>General Obligation Bond</u>	<u>Sale Date</u>	<u>Borrowing</u>	<u>to Maturities</u>	<u>Final Maturity</u>	<u>July 1, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30, 2014</u>
Library Construction	1997	\$ 1,045,000	3.00%	2016	\$ 140,000	\$ -	\$ (50,000)	\$ 90,000
Capital Plan Issue #1	2000	1,295,000	2.50%	2015	110,000	-	(60,000)	50,000
Capital Plan Issue #3	2006	5,404,000	4.00%	2026	3,165,000	-	(275,000)	2,890,000
MWPAT - Septic Loan	2007	29,492	0.00%	2025	19,637	-	(1,642)	17,995
Townsend Road Construction	2012	103,018	2.75%	2017	82,414	-	(20,604)	61,810
Refunding Capital Plan Issue # 2	2013	378,854	3.00%	2018	313,602	-	(65,236)	248,366
MWPAT - Septic Loan	2013	72,661	0.00%	2033	72,661	-	(3,634)	69,027
Total Governmental Activities					<u>\$ 3,903,314</u>	<u>\$ -</u>	<u>\$ (476,116)</u>	<u>\$ 3,427,198</u>

D. Debt (Continued)

<b><u>Business Type Activities:</u></b>	<b>Fiscal Year</b>	<b>Original</b>	<b>Interest Rates</b>		<b>Balance</b>			<b>Balance</b>
<b><u>General Obligation Bond</u></b>	<b><u>Sale Date</u></b>	<b><u>Borrowing</u></b>	<b><u>to Maturities</u></b>	<b><u>Final Maturity</u></b>	<b><u>July 1, 2013</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>June 30, 2014</u></b>
WPAT Loan 98-131	2001	\$ 1,382,561	2.00%	2021	\$ 680,000	\$ -	\$ (75,000)	\$ 605,000
WPAT Loan 99-32	2001	6,272,676	2.00%	2021	3,085,000	-	(345,000)	2,740,000
WPAT Loan 00-12	2001	6,996,346	2.00%	2021	3,216,437	-	(359,979)	2,856,458
WPAT Loan 00-12A	2002	680,333	2.00%	2021	330,000	-	(35,000)	295,000
Refunding Capital Plan Issue # 2	2006	516,000	3.00%	2018	325,000	-	(25,000)	300,000
Refunding Capital Plan Issue # 2	2013	222,650	3.00%	2018	187,402	-	(35,264)	152,138
Capital Plan Issue #3	2013	5,996	4.00%	2018	4,996	-	(1,000)	3,996
Total Business Type Activities					<u>\$ 7,828,835</u>	<u>\$ -</u>	<u>\$ (876,243)</u>	<u>\$ 6,952,592</u>

(b) Summary of Debt Service Requirements to Maturity

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b><u>Activities</u></b>		<b><u>Activities</u></b>		<b><u>Primary Government</u></b>	
<b><u>Fiscal Year Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2015	\$ 466,104	\$ 124,968	\$ 910,279	\$ 331,496	\$ 1,376,384	\$ 456,464
2016	406,098	108,695	934,140	281,254	1,340,239	389,949
2017	357,818	95,072	966,446	230,888	1,324,264	325,960
2018	331,274	82,792	991,737	178,015	1,323,011	260,808
2019	275,281	71,122	985,755	127,500	1,261,036	198,623
2020-2024	1,157,141	211,563	2,113,435	125,916	3,270,576	337,479
2025-2029	418,947	24,451	50,800	3,112	469,747	27,563
2030-2034	14,532	-	-	-	14,532	-
Total	<u>\$ 3,427,198</u>	<u>\$ 718,663</u>	<u>\$ 6,952,592</u>	<u>\$ 1,278,182</u>	<u>\$ 10,379,790</u>	<u>\$ 1,996,845</u>



D. Debt (Continued)

(c) Bond Authorizations

Long-term debt authorizations voted by the Town which have not been issued or rescinded as of June 30, 2014, are as follows:

<u>Date Authorized</u>	<u>Project</u>	<u>Amount</u>
June 14, 2004	Title V - Sewer	\$327,339
June 12, 2006	CTH Exterior Paint	22,294
June 12, 2006	Library Carpet Replacement	35,000
June 12, 2006	Middle School Century System Upgrade	19,666
June 11, 2007	Town Wide Technology Upgrade	22,718
November 13, 2007	Culvert Repair Townsend Road	3,000
December 13, 2010	Shaker Road Bridge Repair	349,055
August 5, 2013	Energy Performance Contracting	570,873
June 2, 2014	Plow and Sander	<u>160,000</u>
	Total	<u>\$1,509,945</u>

(d) Subsidies through the Massachusetts Water Pollution Abatement Trust

The Massachusetts Water Pollution Abatement Trust was created by Chapter 275 of the Acts of 1989 to implement the State Revolving Fund Program (SRF) contemplated by the Title VI of the Federal Clean Water Act.

The Trust administers a SRF program which includes both a federal and state capitalized revolving fund. Loans are made from the fund to local governmental units to finance the costs of eligible water pollution abatement programs.

Local governments obtain financing through the SRF and receive subsidies but are obligated for the entire amount of the debt. Subsidies which will be utilized to offset debt service costs disclosed in the summary above are noted below:

	<u>SRF</u>
2015	\$ 453,497
2016	431,048
2017	408,549
2018	385,200
2019	362,547
2020-2024	<u>646,582</u>
Total Subsidies	<u>\$ 2,687,422</u>

## D. Debt (Continued)

iii Changes in the government's long-term liabilities for the year ended June 30, 2014 are as follows:

	Balance			Balance	Current
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>	<u>Portion</u>
<b><u>Governmental Activities</u></b>					
Bonds Payable	\$ 3,903,314	\$ -	\$ (476,116)	\$ 3,427,198	\$ 466,104
Compensated Absences	105,968	49,188	(74,178)	80,978	56,685
Landfill Closure Payable	145,365	-	(8,255)	137,110	8,380
Other Post Employment Benefits	<u>1,493,881</u>	<u>107,404</u>	<u>-</u>	<u>1,601,285</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,648,528</u>	<u>\$ 156,592</u>	<u>\$ (558,549)</u>	<u>\$ 5,246,571</u>	<u>\$ 531,169</u>
<b><u>Business Type Activities</u></b>					
Bonds Payable	\$ 7,828,835	\$ -	\$ (876,243)	\$ 6,952,592	\$ 910,279
Compensated Absences	3,688	478	(2,582)	1,584	1,109
Other Post Employment Benefits	<u>37,049</u>	<u>12,136</u>	<u>-</u>	<u>49,185</u>	<u>-</u>
Total Business Type Activities	<u>\$ 7,869,572</u>	<u>\$ 12,614</u>	<u>\$ (878,825)</u>	<u>\$ 7,003,361</u>	<u>\$ 911,388</u>

## E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds. Operating transfers made during the year were as follows:

	<u>Transfer In</u>	<u>Transfer (Out)</u>	<u>Total</u>
General	\$ 350,658	\$ (83,077)	\$ 267,581
Non-Major Governmental	83,077	(270,262)	(187,185)
Enterprise	-	(80,396)	(80,396)
Total	<u>\$ 433,735</u>	<u>\$ (433,735)</u>	<u>\$ -</u>

## IV Other Information

### A. Pension Plans

#### a) Plan Description

The Town provides pension benefits to employees by contributing to the Middlesex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Regional Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Regional Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to Middlesex Regional Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

b) Funding Plan

Active members of the Middlesex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The Town's contributions for the years ending June 30, 2014, 2013 and 2012 were \$612,464, \$592,323 and \$568,178 respectively, equal to 100% of the required contributions each year.

B. Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 43 and 45, is noted below. In addition, certain other Required Supplementary Information (RSI), required by GASB 43 and 45, is presented following the notes to the financial statements.

- a. **Plan Description.** In addition to providing pension benefits, the Town provides for a portion of health insurance benefits for eligible plan members. Group 1 employees hired before April 2, 2012, are eligible for OPEB benefits at age 55 with 10 years creditable service or any age with 20 years of creditable service. Group 1 employees hired after April 1, 2012, are eligible at age 60 with 10 years of creditable service. Group 4 employees hired before April 2, 2012, are eligible for OPEB benefits at age 55 with 10 years creditable service or any age with 20 years of creditable service. Group 4 employees hired after April 1, 2012, are eligible at age 55 with 10 years of creditable service. Currently there are approximately 42 active employees and 34 retired employees (including beneficiaries and dependents) who are eligible to participate in the plan.

**Effective July 1, 2011, employees of the Town of Shirley School System became part of a separate regional school district. As a result, the school employees are not included in the plan membership.**

- b. **Funding Policy.** The Town pays 50% of the total premiums for health insurance and 50% of the premiums for a \$2,000 life insurance policy for retirees and their spouses. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.
- c. **Annual OPEB Cost and OPEB Obligation.** The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the Town, an amount that has been actuarially determined in accordance with the parameters of GASB 43 and 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the fiscal

year ended June 30, 2014, the amount actually contributed to the plan, and the Town's Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$284,029
Interest on Net OPEB Obligation	61,237
Adjustment to Annual Required Contribution	(51,031)
Annual OPEB Cost (Expense)	<u>294,235</u>
Contributions Made	<u>(174,695)</u>
Increase in Net OPEB Obligation	119,540
Net OPEB Obligation (NOO)- Beginning of Year	<u>1,530,930</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$1,650,470</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan and the net OPEB obligation for recent years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$330,393	64%	\$1,418,443
2013	\$341,379	67%	\$1,530,930
2014	\$294,235	59%	\$1,650,470

- d. **Funded Status and Funding Progress.** As of July 1, 2013, the most recent actuarial valuation date, no funding to the plan has been made. The Actuarial Accrued Liability (AAL) for benefits was \$4,182,196, and the actuarial value of assets was zero, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$4,182,196. The decrease in the liability from the prior valuation related to the regionalization of the School System.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

- e. **Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members). The projections consider the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% (same as prior valuation) investment rate of return and an annual healthcare cost trend rate of 7% initially, graded down to an ultimate rate of 5% in year five (the prior study began with 10% and graded down to 5%). The actuarial value of assets is determined using market value. The UAAL is being amortized over a thirty year open amortization period.

C. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the Town is required to recognize, as income, certain payments made on behalf of the Town by the Commonwealth of Massachusetts. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2014, the Commonwealth paid \$1,034,634 to the State Plan on behalf of employees of the Town. Accordingly, the accompanying fund financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2014, or fund balances/net position at June 30, 2014.

D. Solid Waste Landfill Closure and Postclosure Care Costs

State and federal regulations require that solid waste landfill closures meet certain standards. Generally accepted accounting principles require recognition of a liability for closure and postclosure costs based on the landfill capacity used to date. The landfill capacity used to date is 100%. Closure date of the landfill was December 31, 1998. The Town estimated the future landfill postclosure care cost and it is disclosed in the government wide financial statements. The potential exists for revisions to the estimate due to inflation, new technology or changes in applicable laws and regulations.

E. Subsequent Year Authorizations

On June 2, 2014 and November 10, 2014, the Town adopted a fiscal 2015 operating and capital budget. Fiscal 2015 budgetary amounts will be financed by the following sources:

2015 Property Taxes, State Aid and Non-Property Tax Revenue	\$ 11,813,982
Enterprise Fund Estimated Revenues	694,872
Enterprise Fund Retained Earnings	256,587
Enterprise Fund Betterment Reserves	891,241
Other Available Funds	1,176,053
General Fund Committed Fund Balance	226,010
General Fund Assigned Fund Balance	138,385
Total	<u><u>\$ 15,197,130</u></u>

F. Significant Commitments  
Encumbrances

Encumbrances for open purchase are reported as Assigned Fund Balance unless the resources have already been restricted, committed or assigned for another purpose. The assigned fund balance in the general fund includes \$11,924 related to encumbrances.

#### G. Implementation of New GASB Pronouncements

During fiscal year 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. The implementation of this pronouncement required reporting deferred inflows and deferred outflows of resources.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements. Management's current assessment is that GASB Statement #68 will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Middlesex County Retirement System's actuarially accrued liability.

# **REQUIRED SUPPLEMENTARY INFORMATION**

Town of Shirley, Massachusetts  
Required Supplementary Information  
General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
<u>Revenues</u>				
Property Taxes	\$ 8,833,078	\$ 8,977,547	\$ 8,974,440	\$ (3,107)
Tax Liens	-	-	67,513	67,513
Excises	600,000	600,000	786,439	186,439
Penalties and Interest	60,000	60,000	57,917	(2,083)
Licenses and Permits	75,000	75,000	212,784	137,784
Fees and Other Departmental	50,000	50,000	80,381	30,381
Intergovernmental	1,289,093	1,289,093	1,801,163	512,070
Fines and Forfeits	10,000	10,000	6,848	(3,152)
Earnings on Investments	5,000	5,000	6,434	1,434
In Lieu of Taxes	16,000	16,000	17,522	1,522
Miscellaneous	24,000	24,000	45,934	21,934
Total Revenues	<u>10,962,171</u>	<u>11,106,640</u>	<u>12,057,375</u>	<u>950,735</u>
<u>Expenditures</u>				
Current:				
General Government	1,158,247	1,234,753	1,082,057	152,696
Public Safety	1,458,450	1,474,503	1,439,796	34,707
Education	6,015,441	6,046,784	6,045,569	1,215
Highway and Public Works	478,550	564,180	543,039	21,141
Health and Human Services	167,429	212,309	199,216	13,093
Culture and Recreation	220,588	220,588	220,426	162
Intergovernmental	1,739	57,208	57,488	(280)
Employee Benefits	1,485,866	1,491,833	1,405,915	85,918
Debt Service	633,762	633,762	620,253	13,509
Total Expenditures	<u>11,620,072</u>	<u>11,935,920</u>	<u>11,613,759</u>	<u>322,161</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(657,901)</u>	<u>(829,280)</u>	<u>443,616</u>	<u>1,272,896</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	272,465	322,621	322,621	-
Transfers Out	(83,077)	(172,077)	(172,077)	-
Other Available Funds	-	90,804	90,804	-
Budgetary Fund Balance	468,513	587,932	587,932	-
Total Other Financing Sources (Uses)	<u>657,901</u>	<u>829,280</u>	<u>829,280</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures/ Use of Prior Year Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,272,896</u>	<u>\$ 1,272,896</u>



Middlesex Regional Retirement System  
Required Supplementary Information  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1996	\$ 373,750,361	\$ 634,920,488	\$ 261,170,127	58.87%	\$ 218,345,024	119.61%
1/1/1998	476,708,969	763,093,878	286,384,909	62.47%	215,380,186	132.97%
1/1/2000	570,263,467	905,280,472	335,017,005	62.99%	253,228,818	132.30%
1/1/2002	599,699,143	1,020,828,178	421,129,035	58.75%	280,740,439	150.01%
1/1/2004	618,163,380	1,223,828,127	605,664,747	50.51%	306,025,949	197.91%
1/1/2006	653,156,866	1,364,582,969	711,426,103	47.86%	330,999,861	214.93%
1/1/2008	774,863,669	1,529,806,307	754,942,638	50.65%	360,206,302	209.59%
1/1/2010	819,987,914	1,743,581,707	923,593,793	47.03%	384,933,571	239.94%
1/1/2012	862,323,395	1,974,144,909	1,111,821,514	43.68%	393,100,995	282.83%
1/1/2014	967,146,018	2,195,732,452	1,228,586,434	44.05%	415,752,810	295.51%

Middlesex Regional Retirement System  
Required Supplementary Information  
Schedule of Employer's Contributions

System Wide				Town of Shirley	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	Town's Percentage of System Wide Actual Contributions (B/A)
2004	\$ 52,902,366	\$ 52,902,366	100.00%	\$ 312,965	0.59%
2005	52,298,150	52,298,150	100.00%	382,880	0.73%
2006	60,169,717	60,169,717	100.00%	439,433	0.73%
2007	64,664,829	64,664,829	100.00%	481,900	0.75%
2008	72,050,318	72,050,318	100.00%	535,141	0.74%
2009	78,212,121	78,212,121	100.00%	587,803	0.75%
2010	76,146,963	76,146,963	100.00%	589,230	0.77%
2011	78,662,214	78,662,214	100.00%	613,395	0.78%
2012	81,933,448	81,933,448	100.00%	568,178	0.69%
2013	88,287,112	88,287,112	100.00%	592,323	0.67%

Town of Shirley, Massachusetts  
Required Supplementary Information - GASB 45  
Schedule of Funding Progress  
Fiscal Year Ended June 30, 2014

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b) - (a)</u>	Funded Ratio <u>(a) / (b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b) - (a) / (c)]</u>
July 1, 2013	\$0	\$4,182,196	\$4,182,196	0%	\$2,019,159	207.1%
July 1, 2010	\$0	\$5,736,603	\$5,736,603	0%	\$1,802,583	318.2%
July 1, 2007	\$0	\$5,922,000	\$5,922,000	0%	\$8,010,000	73.9%

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Town of Shirley, Massachusetts  
Required Supplementary Information - GASB 45  
Valuation Details  
Fiscal Year Ended June 30, 2014

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Valuation Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30 years on an open amortization period increasing at 4.5% per year

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**Actuarial Assumptions:**

Investment Rate of Return	4% pay-as-you-go (same as prior valuation).
Medical/Drug Cost Trend Rate	7.0% grading down by .5% to 5.0% ultimate (previous valuation - 10.0% grading down by 1.0% to 5.0% ultimate)

Plan Membership:

Current retirees, beneficiaries, and dependents	34
Current active members	<u>42</u>
Total	<u>76</u>

The Shirley School System became a separate regionalized district effective July 1, 2011.  
As a result the employees of the District are not included as members of the Town's  
employee benefit plan.

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Town of Shirley, Massachusetts  
Notes to the Required Supplementary Information  
June 30, 2014

(A) Budgetary Information

Budget requests are prepared by the various Town departments and submitted to the Selectmen and Finance Committee for review during January and February of each year. The Selectmen and Finance Committee have until May, which is when the annual Town meeting is held, to make any changes to the departments' requests. After approval of the budget at the annual Town meeting, the tax recapitulation (recap) sheet is prepared. During this process the property tax rate is determined and the recap sheet is sent to the Department of Revenue for approval.

Encumbrance accounting is utilized when purchase orders, contracts or other commitments for purchases are recorded in order to reserve that portion of the applicable appropriations.

(B) Pension Plans

1. Plan Description

The Town provides pension benefits to employees by contributing to Middlesex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Middlesex Regional Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Middlesex Regional Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Middlesex Regional Retirement System, 25 Linnell Circle, P.O. Box 160, Billerica, Massachusetts 01865.

2. Funding Plan

Active members of the Middlesex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The Town is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The Town's contribution requirement is established and may be amended by the Middlesex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information. The schedules presented relate to the Middlesex Regional Retirement System as a whole (of which the Town is one participating employer). The Town's data included should be helpful for understanding the scale of the information presented relative to the Town.

### 3. Actuarial Assumptions

The methods and assumptions for the most recent actuarial valuation of the system are as follows:

<b>Valuation date</b>	January 1, 2012
<b>Actuarial Cost Method</b>	Entry age normal cost method
<b>Amortization Method</b>	Prior year's total contribution increased by 6.5% for fiscal 2014 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
<b>Remaining Amortization Period</b>	As of July 1, 2012, 7 years remaining for the 2002 ERI liability; 8 years remaining for the 2003 ERI liability; 10 years remaining for the 2010 ERI liability and 23 years for the remaining unfunded liability.
<b>Asset Valuation Method</b>	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period as described by Revenue Procedure 2000-40.
<b>Actuarial Assumptions:</b>	
Investment rate of return	8.00% (previously, 8.125%)
Projected salary increases	4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments	3.00% of the first \$14,000 of retirement income (previously, 3.00% of first \$12,000 of retirement income)

#### **Plan Membership:**

Retired participants and beneficiaries receiving benefits	4,886
Inactive participants entitled to a return of their employee contributions	2,708
Invested participants with a vested right to a deferred or immediate benefit	394
Active participants	8,979
Total	<u>16,967</u>

#### (C) Other Postemployment Benefits (OPEB) Disclosures – GASB 43 and 45

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. These statements require the Town to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis.

- a. **Plan Description.** In addition to providing pension benefits, the Town provides for a portion of health insurance benefits for eligible plan members. Group 1 employees hired before April 2, 2012, are eligible for OPEB benefits at age 55 with 10 years creditable service or any age with 20 years of creditable service. Group 1 employees hired after April 1, 2012, are eligible at age 60 with 10 years of creditable service. Group 4 employees hired before April 2, 2012, are eligible for OPEB benefits at age 55 with 10 years creditable service or any age with 20 years of creditable service. Group 4 employees hired after April 1, 2012, are eligible at age 55 with 10 years of creditable service.

Effective July 1, 2011, the employees of the Town of Shirley School System became part of a separate regional school district. As a result, they are not included in the plan membership.

- b. **Funding Policy.** The Town pays 50% of the total premiums for health insurance and 50% of the premiums for a \$2,000 life insurance policy for retirees and their spouses. Benefits paid by the Town are on a pay-as-you-go basis. The contribution requirements of plan members and the Town are established and may be amended from time to time.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Selectmen  
Town of Shirley  
7 Keady Way  
Shirley, MA 01464

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Shirley, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Shirley's basic financial statements, and have issued our report thereon dated June 1, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Shirley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shirley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shirley's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Shirley's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Giusti, Hingston and Company*

Giusti, Hingston and Company

Certified Public Accountants

Georgetown, Massachusetts

June 1, 2015